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Current Developments in

THE FARM REAL ESTATE MARKET

MARCH-JULY 1957

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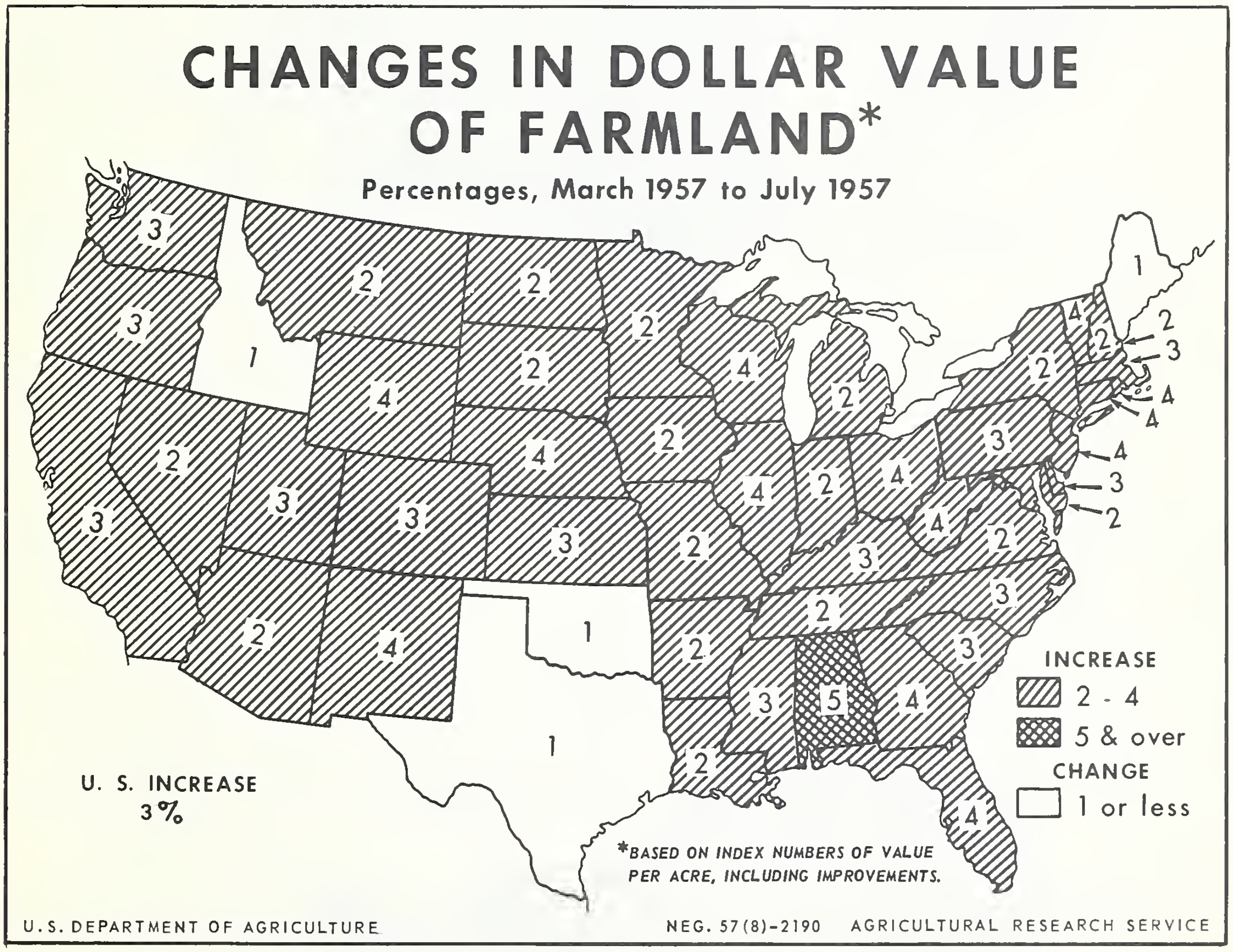

Farm real estate values advanced in all States in the 4 months ended July 1, 1957. The index of average value per acre reached a new record high of 151 (1947-49 = 100), which was 3 percent above March and 8 percent above a year earlier. This was the largest increase for a 12-month period since the year ended July 1, 1951. In terms of the 1912-14 average, the current index is 253; this is 46 percent above the 1920 peak.

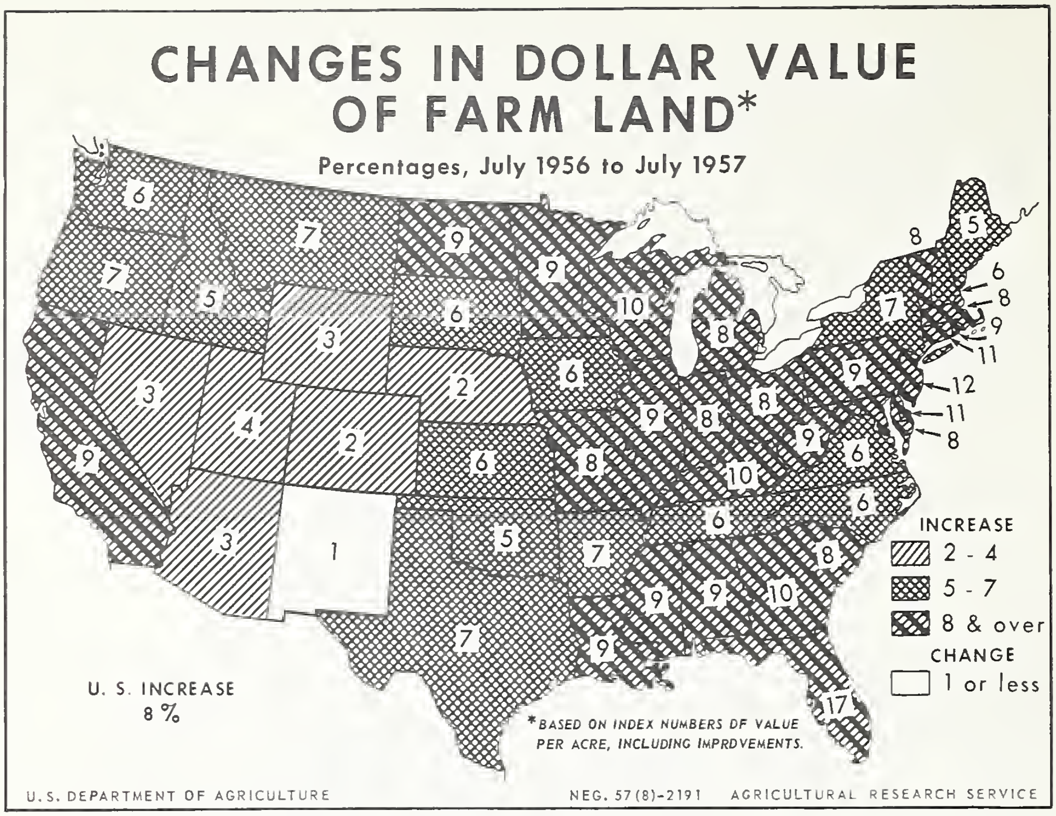

Figure 1

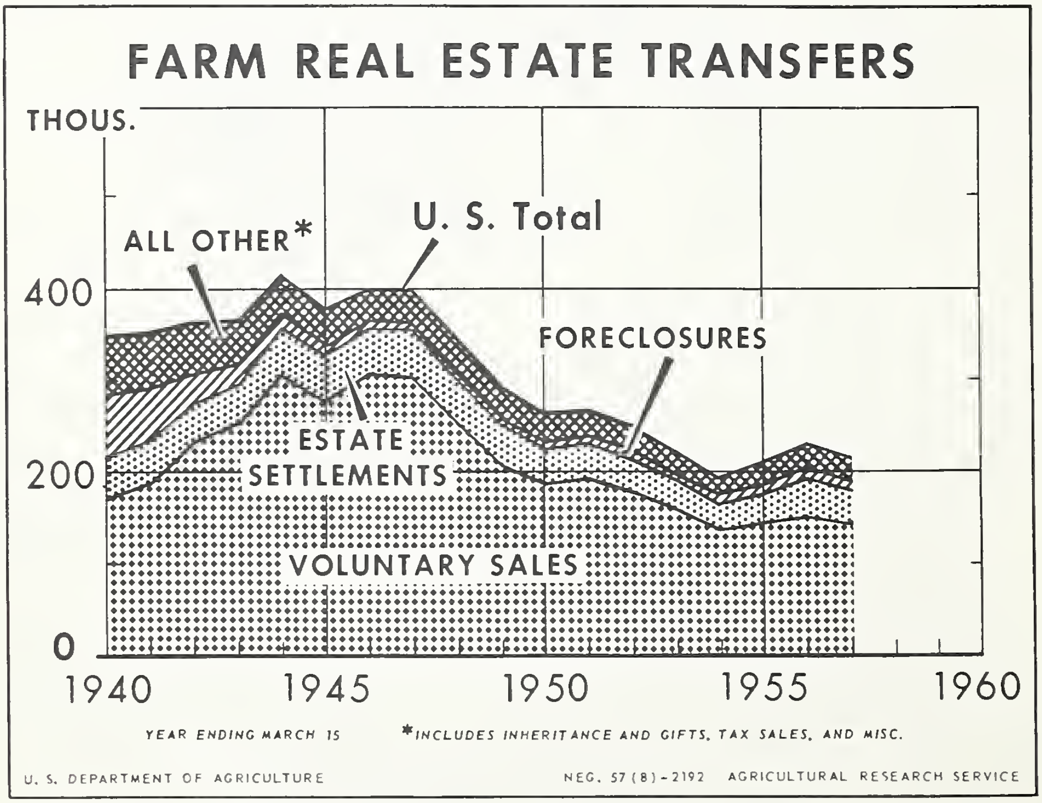

Figure 2

CURRENT DEVELOPMENTS IN THE FARM REAL ESTATE MARKET

March-July 1957

Approved by the Outlook and Situation Board, September 23, 1957

SUMMARY

The market value of farmland in the United States increased by 3 percent between March 1 and July 1, 1957. The index of value per acre was 151 (1947-49=100), a new record high, as of mid-1957. The total value of farm real estate was estimated at $112.4 billion on July 1, 1957. Increases in value were recorded in all States during the spring and early summer of 1957, exceeding 2 percent in 26 States. In those States where market values had been depressed by drought most severely a year earlier, increases of 3 to 4 percent occurred.

In the 12 months ended July 1, 1957, values increased by 2 percent or more in 47 States. The national average advanced 8 percent, the largest increase for a similar period since mid-1951. Largest increases in the past year generally were in the eastern two-thirds of the country. The sharpest advances occurred in the Southeastern States.

Generally favorable crop prospects as of mid-1957 and continuing pressures to enlarge existing farms were the dominant forces in the agricultural sector. In some areas, the conservation-reserve program has increased demand for land of below-average quality and has helped to sustain, or to increase market prices. In the nonfarm sector, the continued high level of business activity, the slowly rising general price level, and the need for space for an expanding economy continue to add strength to market prices of farmland in many communities.

The market supply of land in 1957 has continued at a low level, as it has done for the last several years. Inquiries concerning land for purchase were more frequent in the spring of 1957 than they were a year earlier. Local observers expected selling prices to continue to increase during the summer and early fall. Increases in the price of good quality farms were expected more frequently than in the case of lower quality farms.

The rate of voluntary transfers for the 12 months ended March 15, 1957, declined in 7 regions but increased in three - Lake States, Southeast, and Delta States. The national rate of 31.4 farms per 1,000 was 3 percent less than a year earlier. The total of about 9,000 farm foreclosures estimated to have occurred in the year ended March 1957, was down slightly from the 10,400 estimated for the previous year.

More buyers of farmland used credit to finance their purchases in the 12 months ended March 1957 than in the previous year. Sales contracts were

used more frequently but the proportion financed by mortgages was lower. The amount of farm mortgages recorded by all classes of lenders in 1956 was less than in the previous year, but the amount still was the second largest for any year since 1923. Interest rates on new mortgages increased this past spring. The total amount of farm mortgage debt outstanding on January 1, 1957, was estimated at $9,902 million, 9 percent above the 1956 total.

VALUE CHANGES AND MARKET FORCES

The value of farmland in the United States continued to increase during the spring and early summer of 1957. Increases of 2 percent or more occurred in 44 States. Nationally, the advance in values amounted to 3 percent, resulting in an index of 151 (1947-49=100) as of July 1, 1957, a new record high. Values were at record high levels in 40 States. Largest increases during the March to July 1957 period were in States along the Atlantic and Gulf Coasts, the eastern Corn Belt, and in Wyoming, New Mexico, and Nebraska. The increase in the latter 3 States, where land values had been depressed by drought during recent years, was the first significant increase in the last 2 years. This was true also of values in Colorado, although the recovery there was not so large.

Annual Increase Largest for 6 Years

Increases in value during the 12 months ended July 1957 were smallest in those States most severely affected by drought during 1956 (fig. 1). In these States, increases ranged from 1 to 4 percent. Elsewhere, values advanced by 5 percent or more; in 23 States, they amounted to 8 percent or more. The sharpest increases occurred in Florida with 17 percent, followed by New Jersey with 12 percent, and Delaware and Rhode Island with 11 percent each. Nationally, values of farmland were 8 percent higher in mid-1957 than a year earlier (table 1). This is the largest increase for any similar period since July 1951 when a 16-percent increase from the previous July was recorded.

Current Market Forces

The increases in value during the latest 4-month period resulted from a complex of factors. Some have been present in the farm real estate market for some time, while at least one, crop prospects, has operated only during the last spring and summer.

Generally favorable crop prospects during the spring and early summer were responsible for a part of the increase in land values, particularly in many Central and Western States. As of July 1, 1957, crop prospects were good to excellent in all areas that were very poor or near failure a year earlier because of drought. Generally, pasture and hay crops this spring and summer have kept up fast and heavy growth. Soil moisture has been abundant to excessive over much larger areas than last year. This abundance could cut

Table 1.- Percentage change in index of average value of farm real estate per acre, by farm production regions, selected periods, 1955-57

Farm production region	Change during year ending July 1955	Change during year ending July 1956	Change during year ending July 1957	Change during 4 months ending July 1955	Change during 4 months ending July 1956	Change during 4 months ending July 1957
	Percent	Percent	Percent	Percent	Percent	Percent
Northeast	+2	+6	+8	+2	+2	+3
Corn Belt	+6	+4	+8	+2	+2	+3
Lake States	+6	+6	+9	+2	+2	+2
Appalachian	+3	+4	+7	+2	+2	+2
Southeast	+2	+9	+12	+1	+3	+4
Delta States	+3	+8	+8	+1	+3	+3
Southern Plains	+4	+1	+6	+2	+2	+1
Northern Plains	+5	-1	+5	+2	0	+3
Mountain	+2	+1	+4	+1	0	+3
Pacific	+4	+6	+9	+1	+1	+3
United States	+5	+3	+8	+2	+1	+3

later losses from possible drought and heat. Irrigation water supplies were the best in recent years. As of July 1, 1957, only two general areas of less than good to excellent crop prospects were present. One, with fair to very poor prospects, extended from eastern Oklahoma and northeastern Texas through northern Arkansas and southern Missouri into southern Illinois and Indiana. Plantings or harvestings were delayed, or crops were lost, from too much rain in this area. Another area with only fair prospects as of July 1 was a dry section extending in a belt along the Atlantic coast, northward from North Carolina into southern New England.

Other factors that affected land values continued to be those found in the nonfarm sector of the economy and in advancing farm technology. Also, the Soil-Bank program has tended to sustain land values by further limiting the farmland for sale and increasing the number of people looking for land.

In the nonfarm sector, the continued high level of business activity with its associated dispersal of industry, a slowly rising general price level, and the need for living space for a growing population are still the primary forces. The value of much of the agricultural land adjacent to large centers of population is based on location with respect to such population centers, existing or anticipated highways, present or proposed industrial sites, and other factors unrelated to the returns from farming. However, the presence of nonfarm uses affects indirectly the strictly agricultural land that lies beyond the sphere of influence of nonfarm demands. Most farm owners who sell their land to nonfarm users do so at prices well above those justified by agricultural productivity.

Many of these farmer-sellers are interested in continuing farming operations, and after they sell their land, they are in position to locate in a new area and to buy farmland at a higher price than they could consider otherwise. These higher prices tend to form a new and higher basis for valuation of all farmland in the surrounding area. This basis is unrelated to the land's ability to produce a return on the capital invested in it.

The full benefits of many of the technological advances that have been made in agriculture in recent years cannot be achieved on many farms without increasing the scale of operation. On thousands of farms, this increase means adding more land. As many of these operators already own land, they are in a favorable position to finance the purchase of additional land. They continue to bid actively for the limited acreage of land that is for sale each year.

Effects of the Soil-Bank Program on the Farm Real Estate Market

Replies to the March 1957 survey of farm real estate reporters indicate that the Soil-Bank program has sustained or raised demand and market prices for land, and particularly for the poorer cropland, in many areas. 1/ They do not indicate how much of the increase that has occurred since the program became law in 1956, can be attributed to the program. Comparison of the amount of increase in market values for States with high or low levels of Soil-Bank participation, or with moderate or slight effects on the land market, as evaluated by farm real estate reporters, show no apparent association. Some States with high participation and moderate effects have had small increases in value; others with low participation show large increases. The effect of the program on market prices in the last year can be expected to be minor, as the farm real estate market is traditionally slow to adjust to new economic forces.

The most significant aspect of the Soil-Bank program in relation to the farm real estate market are the regional differences in its effect. These differences were discussed more fully in the May 1957 issue of this publication. 2/

1/ The Department directs surveys twice a year (March and October) to a special group of farm real estate dealers, local bankers, lawyers, local representatives of lending agencies, and others in close contact with the farm real estate market. Much of the material in this and some of the succeeding sections of this publication is based on the replies to this survey. Usable replies were received from about 7,000 reporters last March, most of whom have responded in previous surveys. As these people are in close contact with sellers and buyers, and are believed to keep well informed as to current market trends, their opinions are considered to reflect those held generally within their communities.

2/ U. S. Agricultural Research Service, ARS 43-53, Current Developments in the Farm Real Estate Market, November 1956-March 1957, issued May 1957, page 7.

The analysis at that time was based upon a preliminary tabulation of several questions in the March 1957 survey, which asked reporters what effect the Soil-Bank program was having on the farm real estate market in their localities. The complete tabulation of these questions is now available.

Most of the statements made in the earlier publication remain unchanged and three areas in which the Soil-Bank has had its greatest effect still stand out. One of these areas includes North Dakota, South Dakota, Minnesota, Montana, and Idaho. Another is in the Southwest, and includes Kansas, Colorado, New Mexico, and Texas. The third embraces the four Southeastern States from Mississippi through South Carolina. These three areas coincide roughly with the areas of highest participation in the Soil-Bank program.

Reporters in most States commented that the program had increased the demand for farmland of lower quality. In many areas, the reporters stated, farm operators were looking for the poorer cropland to add to their existing farms. They would then enter this poorer land in the conservation-reserve part of the program and still maintain their regular farming operations. In the Southeastern States, land suitable for growing trees was sought, as tree-planting is an approved practice for land entered in the conservation reserve. Demand for dry farmland in the Western States was also greater as a result of the program.

MARKET DEVELOPMENTS

Farm real estate observers' comments and reports during the last few years have indicated that the demand for farmland has been strong in most areas. This situation has been substantiated, partly by the continuous increase in farmland values since early in 1954. In many areas, the same factors that contribute to a strong demand for land also tend to reduce the acreage of land offered for sale. Both buyers and sellers of land are predominantly farmers. Consequently, when conditions make ownership of farmland attractive to prospective buyers, present owners find it desirable to retain ownership. In recent years, this has been important in causing the tight supply and strong demand conditions that have prevailed.

No precise measure of the demand for, and supply of, farmland for sale is available because of the unique characteristics of farm real estate. However, general indications of supply and demand are obtained by asking real estate reporters how the number of farms listed for sale and the inquiries to buy farms during a recent period compares with the number of listings and inquiries during a similar period in the past.

Number of Farms on the Market Largely Unchanged

Reporters in the March 1957 survey indicated that the tight supply situation of recent years continued through last winter and early spring. The distribution of reports indicating an increase, little change, or a decrease in the number of farms listed for sale was about the same as in the March 1956 survey. More

than three-fifths of the reporters indicated little change, while the replies of the rest were nearly equally distributed between increases and decreases. Variation in the distribution of reports was noted among States. The concensus of reporters in many Northeastern and Western States was that the number of farms listed for sale had increased. Conversely, in the eastern Corn Belt, Arkansas and Louisiana, reporters indicated that this spring the number was less. Elsewhere, the balance of opinion was that little change had occurred.

Inquiries for Farmland More Frequent

Although the majority of reporters in the March survey believed that the number of inquiries to buy farms during the winter and early spring had changed very little, comparison with the distribution of reports for a year earlier indicates a shift toward more inquiries. In March 1956, nearly a third of the reporters noted decreases; last March less than a fourth held this view. During the same period, the proportion who reported increases in inquiries changed from 15 percent in 1956 to 22 percent in March 1957. The same shift was apparent in most States. Reporters who noted more inquiries outnumbered those who reported fewer inquiries in all States along the southern border of the country, several New England States, and in Illinois, Minnesota, and North Dakota. Strongest indications of greater interest in farmland were evident in many of the Central and Plains States, where the market was depressed by drought in 1956. The smallest change was noted in the Middle Atlantic States.

Continued Increase in Land Values Expected

At the outset of the 1956 growing season, much of the Great Plains and the western Corn Belt area was suffering from widespread drought. By March 1957, much of this area had received considerable moisture, and this caused many people to believe that the drought had been broken. Other factors that contribute to the land market were generally unchanged during 1956. The March 1957 survey attempted to learn what effect landowners and other observers of the farm real estate market believed these conditions would have on the selling prices of farmland during the summer and early fall of 1957. They were asked to indicate whether they expected prices to increase, change little, or decline during that time.

These reports showed that the price of average farms was expected to increase in all regions. Compared with the reports of a year earlier, fewer reporters in all regions expected declines and more reporters in most regions expected increases in value. The proportion expecting further increases was larger than those expecting decreases in all Southern and Lake States. In some Central and Eastern States the number expecting decreases was largest. However, the margin over those who expected increases was much smaller than a year earlier.

Reporters were also asked for their opinions as to expected changes in prices of good and poor farms. Increases in the price of good farms were expected much more frequently than in the case of poor farms. In all except 4 of the 37

Eastern States, the number of reporters who expected an increase in the price of good farms exceeded those who expected a decrease. A year earlier, most reporters anticipated declines in prices in many of these States. Although in most States, reporters who expected declines in the price of poor farms outnumbered those who expected increases, the proportion who held this opinion was much smaller than a year earlier. In several Southeastern States, as well as in North Dakota, the number who anticipated increases exceeded the number who expected declines.

Reporters in the 11 Western States were asked to provide similar opinions regarding the changes they expected in the value of irrigated, dry farming, and grazing land. Like reporters in the Eastern States, western reporters were generally more optimistic regarding further increases in prices than they had been a year earlier. In most States, fewer reporters in this year's survey expected declines and more expected increases. The excellent prospects for irrigation water throughout the area during the 1957 crop season tended to strengthen values for irrigated land.

CHANGES IN FARM OWNERSHIP

Transfers of ownership of farms occurred at the rate of 47.8 per 1,000 farms during the 12 months ended March 15, 1957. The revised estimate for the previous 12 months was 49.7 farms. These rates indicate that approximately 216,000 farms changed ownership during the 1956-57 season, 4 percent less than the 1955-56 revised total of 224,000 farms (fig. 2).

Voluntary Sales Occur at a Reduced Rate

Voluntary sales of farmland were at a lower rate during 1956 than at any time since 1953. At 31.4 per 1,000 farms, the rate of transfer for the 12 months ended March 15, 1957, was 3 percent lower than the revised rate of 32.4 farms for a year earlier. However, the current level exceeds the March 1954 rate of 29.9 farms by 5 percent and is higher than the rate recorded in any year between 1921 and 1936. During the war years of the 1940's, the rate was in excess of 40 and through 1952, it exceeded 30. Approximately 142,000 farms changed ownership by voluntary means during the 12 months ended March 1957, compared with the revised estimate of 146,000 for the comparable period ending in 1956.

The rate of voluntary transfers of farm ownership declined in seven regions, in 1956, but increased in three - Lake States, Southeast, and Delta States (table 2). The largest decline, 14 percent, occurred in the Southern Plains where the rate averaged 29.5 farms, the lowest level since 1938. The Southeastern region led the increases with an advance of 7 percent. A 7-percent decline occurred in the Appalachian region, while the reduction in the Northeast, Mountain, and Pacific States averaged 6 percent. The rate was only 3 percent lower in the Corn Belt and the Northern Plains regions.

Table 2.- Voluntary transfers of farm real estate: Estimated number per 1,000 of all farms, years ending March 15, 1952-57 1/

Farm production region	1952	1953	1954	1955	1956	1957	Change, 1956 to 1957
	Number per 1,000	Number per 1,000	Number per 1,000	Number per 1,000	Number per 1,000	Number per 1,000	Percent
Northeast	37.0	34.4	31.2	32.1	33.8	31.8	- 6
Corn Belt	36.5	31.7	28.0	29.4	30.5	29.5	- 3
Lake States	35.1	32.8	29.6	34.5	33.3	33.8	+ 2
Appalachian	30.3	27.5	24.2	25.0	25.9	24.1	- 7
Southeast	34.7	35.9	32.2	29.6	33.2	35.6	+ 7
Delta States	38.3	36.7	29.1	30.1	30.8	32.3	+ 5
Southern Plains	44.0	36.7	33.3	37.8	34.3	29.5	-14
Northern Plains	33.8	29.3	23.7	26.1	25.4	24.7	- 3
Mountain	45.8	45.2	37.0	41.5	39.8	37.5	- 6
Pacific	59.6	54.7	48.6	56.6	59.3	55.6	- 6
United States	37.4	34.2	29.9	31.9	32.4	31.4	- 3

1/ Includes contracts to purchase, but not options.

Fewer Farm Foreclosures Reported

Foreclosures, including assignments to avoid foreclosure, bankruptcies, and related defaults were at the rate of 2.0 per 1,000 farms in the 12 months ended March 15, 1957. This was a slight decline from the rate of 2.3 farms in the previous year but was the same as 2 years earlier. Applying the current rate of foreclosure to the estimated number of farms shows that approximately 9,000 distress transfers occurred during the year. A year earlier the number was 10,400. Although the latest estimate is higher than for any year between 1945 and 1954, it is still low when compared with the 1930's and early 1940's. The all-time high occurred in 1932 when approximately 223,000 farm owners found themselves in severe financial distress and were forced to give up ownership of their farms. In the year ended March 1957, the rate of foreclosure was unchanged in the Appalachian region but averaged higher in the Southeast, Delta, and Southern Plains States (table 3). In the latter region, the rate of 2.5 farms is the highest since the spring of 1943. Distress transfers were at a lower rate in the remaining 6 regions.

Other Classes of Transfers

Tax sales, another form of forced transfer, were more frequent during 1956 than at any time since 1946, although they were still at a low level. The

national rate was only 0.7 farms, 0.1 farm higher than a year earlier. This rate has been below 1 per 1,000 farms since 1945. During 1950 and again in 1952, it reached an all-time low of 0.3 farms. These rates are very low, particularly when they are compared with the record high rate of 15.3 farms during 1932.

Sales of farmland by administrators and executors declined to a rate of 8.7 farms in the year ended March 15, 1957. In the previous year, the rate was 9.2 farms, the second highest since records began in 1926. The all-time high rate (9.8) occurred during 1946-47, and the low point was 5.4 farms in 1928-29. During 1956-57, administrators and executors sold fewer farms in 27 States, approximately the same number in 1 State and more in the remaining States. This type of sale declined in the Southeastern States and in the Northern Plains, while increases were noted in 6 of the 8 Mountain States. The rate of inheritance and gift transfers was slightly lower at 3.6 per 1,000 farms, while miscellaneous and unclassified transfers, at 1.4 per 1,000 farms continued at about the same rate as in recent years.

USE OF CREDIT TO BUY FARMLAND

An estimated 70 percent of all purchases of farmland were financed with some form of credit during the 12 months ending March 1957. This represents an increase of 4 percent from a year earlier in the frequency of the use of credit. This is the sixth consecutive year in which an increase has occurred.

Sales Contracts Are Larger Percentage of Credit-Sales

The increased proportion of credit sales during the last 12 months was due to more frequent use of sales contracts, as the frequency of mortgage-financing declined. Sales contracts made up about 30 percent of all credit-financed purchases. The relative importance of this type of financing has shown a steady growth since estimates were first made in 1946. At that time, only a fourth of the credit purchases were financed with this form of credit. Sales contracts have been used most widely in the central Corn Belt and Western States. During 1956-57, about a third of the credit sales in the Central States were sales contracts. In the Mountain and Pacific States, the proportion was nearly half. In all other areas, it was less than a fourth.

For the country as a whole, the proportion of farm purchases financed by mortgages declined during the year. In the Northeast, however, mortgages were used more frequently while substantial decreases occurred in several Central, South Atlantic, and Pacific States. Elsewhere, the declines were small and the frequency of mortgage-financing remained near the record high level of recent years.

Sales of farms and parcels of farmland for cash, which are estimated at 30 percent of all sales, continued to decline during 1956-57. This is a continuation of the trend that has been apparent for the last 11 years. It was interrupted only once during this time, in 1951. Declines during the last year were apparent

in all regions, except the East South Central, which was unchanged, and the West South Central, where a slight increase occurred.

Total Mortgage Debt Increases

The total amount of farm mortgage debt outstanding on January 1, 1957, was estimated at $9,902 million, up 9 percent from the 1956 estimate. The 1957 level was 7 percent below the 1923 all-time peak of $10.8 billion but about twice as high as the 1946 low. Even so, total mortgage debt remains at a relatively low level when compared with the total value of farm real estate, amounting to only 9 percent of the total value. Exceptions to this generally favorable debt picture can be found in many individual instances.

This comparison includes the value of farms free of debt as well as those encumbered. When the debt and value of only those farms that are mortgaged are considered, the ratio of debt to value is considerably higher. In 1956, mortgage debt on mortgaged farms amounted to 25 percent of the total value of such farms. The ratios for earlier periods were as follows: 1950, 25.3 percent; 1945, 30.2 percent; and 1940, the first year for which comparable data are available, 41.5 percent.

Volume of Mortgage Recording Declines

The amount of farm mortgages recorded by all classes of lenders in 1956 was less than in the previous year, but was still the second largest amount in any year since 1923. The Farm Credit Administration estimates the total to be $2,388 million, only slightly less than the peak of $2,402 million estimated for 1955. 3/ The volume of loans made by the Federal land banks was 8 percent more than in 1955. Miscellaneous lenders' volume also showed an increase - 13 percent. The amount loaned by the three remaining groups of lenders, who account for two-thirds of the total volume of farm mortgage recordings, was 5 percent less than in 1955. Individual lenders, the most important group, recorded a 2-percent decline. Bank and trust company volume was down 9 percent. Although insurance company loans totaled 4 percent less than in 1955, their volume was the second highest since these data were first estimated in 1917. The volume of Federal land-bank loans was also the second highest in any year since their organization in 1917. The 1956 volume had been exceeded only in 1934 when the emergency refinancing program was in operation.

3/ These figures are based on estimates of farm mortgage recordings, including purchase-money mortgages, for all lender groups, except the Federal land banks for which loans closed as officially reported, excluding purchase-money mortgages, are used. The estimates are made currently by the Federal land banks from reports of farm mortgages recorded in a substantial number of counties in each Farm Credit District.

The estimated total number of farm mortgages recorded in 1956 was also less than in 1955. The number was down for all lenders except the miscellaneous group which showed an increase of 5 percent. Banks and trust companies, with the largest number of mortgages recorded, had the largest decline - 15 percent. Insurance companies, which made the smallest number of new loans, were down 14 percent. Individual lenders recorded 9 percent fewer mortgages and Federal land banks showed the smallest decline - 2 percent.

The average size of new mortgages increased for all lenders. Insurance company loans showed the largest increase - 12 percent. Individual lenders, commercial banks, and miscellaneous lenders each recorded a 7-percent increase. The average size of new mortgages recorded in 1956 was $7,740, approximately $600, or 8.5 percent, more than in the previous year.

Although all of these loans were secured by mortgages on farmland, not all of the proceeds of the loans was used to buy farm real estate. A substantial part of the borrowed funds were used to purchase items other than real estate or to refinance existing indebtedness. Changes in the total recordings, therefore, do not necessarily reflect changes in the amount of mortgage credit used to purchase farmland. Only fragmentary data are available as to the purpose of new mortgage borrowings. This information, which was supplied by insurance companies and the Federal land banks, shows that a larger proportion of the proceeds of loans made during 1956 was probably used to buy real estate. Data for 12 selected insurance companies show that during the 12 months ended March 31, 1957, slightly more than 36 percent of the funds committed were for the purpose of buying real estate. In the corresponding period of the previous year, less than a third of the funds were for this purpose. Thus, although the total commitments of these 12 companies declined by 22 percent, the amount used to buy farm real estate dropped only 12 percent.

The number of farm mortgages in the process of foreclosure or voluntary conveyance continues to be low. On March 31, 1957, only 96 of a total of 186,141 mortgages held by 16 life insurances companies were in this category. A year earlier, the number was 100. This spring these same companies held 507 mortgage loans with interest overdue for more than 3 months. This number was only two-tenths of 1 percent of the total.

Reduction In Farm Mortgage Recordings Continues Into 1957

The reduction in mortgage lending that occurred in 1956 continued through the first quarter of 1957. Acquirements of farm mortgages by the Federal land banks and 16 life insurance companies were well below the first quarter of 1956. Interest rates on farm mortgages continued to move upward. All of the 12 Federal land banks increased their rates during the first nine months of 1957. As of October 1, 8 of these banks had a $5\frac{1}{2}$-percent rate on new loans and 4, those of New Orleans, La., St. Paul, Minn., Omaha, Nebr., and Houston, Texas, charged 5 percent. Life insurance companies generally reported higher rates during the first quarter. Most companies now charge minimum rates of 5 to $5\frac{1}{2}$ percent.

REGIONAL DEVELOPMENTS

Although the land market has become increasingly responsive to general economic trends, several local and regional factors that are important in certain areas can be observed. Weather and crop conditions, acreage allotments, price-support levels of specific crops, and differences in the extent of nonfarm demand for land have varying, and often unmeasurable, effects on the farm real estate market in different parts of the country. The following summary of regional developments is based on the comments and observations made by State Agricultural Statisticians and by farm real estate reporters in the March 1957 survey.

Nonfarm Influences Prevalent in the Northeast

The rural-urban complex of land use typical throughout much of this area prevents a clear distinction between agricultural and nonagricultural values in many communities. Sales prices for many farms and tracts often reflect actual or expected use for industrial, commercial or residential purposes, as well as for farming. Nonfarmers continue to seek the smaller farms for residential purposes, and often they attach more importance to location with respect to their employment, roads, schools, and community advantages than to agricultural value. Comparisons between the cost of a house in town and the cost of living in the country often justify the purchase of a farm. Commercial farmers, particularly those who seek additional land, must compete with this type of demand, which depends mainly on the levels of industrial employment and income rather than on returns from farming.

Marked improvements in the highway system in recent years, together with the expansion planned under the Federal-aid program, has become a strong market force in many communities. Although this development is not limited to the Northeast, the effects are more apparent there because of the concentration of large population centers and the extensive network of highways now built, or planned, to serve them. New highways serve not only to direct the rate and direction of population growth; they also enlarge the area that is subject to nonfarm influences. With commuting time reduced, more farms acquire potential value for rural residences and site value for industrial plants, subdivisions, and recreation. However, with the increased emphasis to be placed on limited-access highways, highway frontage alone will not necessarily result in higher values of farmland for nonfarm uses. Rather, the pattern of development now emerging is that of concentration of new investment around interchanges and along secondary roads having convenient access to the throughways. As additional highways are built, the supply of land suitable for nonfarm uses will also increase, thus limiting further increases in site value of farmland. Instead of further concentration of industry along throughways now built, the movement could occur as well along the new systems now in the planning stage. Thus, as the acreage of land with equally desirable location features is increased, present differentials between market values for farm and nonfarm uses should be reduced, but the effects of an expanding economy will be more widely diffused.

The Corn Belt

Land values in the Corn Belt have been pushed higher by the relatively favorable crop prospects, improved prices received by farmers, the continued tight supply of land, and the desire on the part of farmers for land to enlarge their present farming units. Continued expansion of urban and industrial areas has also been a factor, particularly in northern Ohio and Indiana and around the larger cities elsewhere. Demand for part-time farms and country homesites is strong in these areas also. Participation in the conservation-reserve program has been low. Some increases in the demand for, and selling prices of, "poor" quality farmland were noted as a result of the program but, in general, its effects have been light. This is due primarily to the relatively low rate of return possible from the annual rental payments. If the estimated State average per acre value of "poor" quality farms is taken as a measure of invested capital, the return provided by the conservation-reserve payments in the Corn Belt is the lowest of any area.

Values of farmland increased by 8 percent during the year in the 5 States of the region. The sharpest increase was in Illinois - 9 percent - while the smallest - 6 percent - was in Iowa. The latter State is one of 3 in which the 1920 peak in land values has not been exceeded. However, current levels in Iowa are only 1 percent below that peak. Voluntary transfers of farmland were more frequent during 1956 in 3 of the States - Indiana, Illinois, and Iowa - but sharply lower sales activity in Missouri and Ohio resulted in a 3-percent decline in the average rate for the region.

Values 9 Percent Higher In The Lake States

Many of the same market forces that have operated in the Corn Belt are present in the Lake States. The demand for part-time farms has been strongest in southern Michigan, which is more heavily industrialized than other areas of the region. Farm enlargement has been a more important factor in Minnesota than in the other States. Participation in the Soil Bank has been higher, and conservation-reserve payments offer a more favorable return, in the three Lake States than in the Corn Belt. Increases in the value of farmland amounted to 8 percent or more in each of the Lake States and averaged 9 percent for the region. Values were at record high levels in all three States, exceeding the previous peaks set in March of this year by 2 percent or more. Voluntary transfers were more frequent in 1956-57 in Minnesota and Wisconsin but declined in Michigan.

Appalachian and Southeast

Much of the strength in the land market in this region in recent years has stemmed from the expansion of industries to rural areas, improvements in highways, and the acreage-allotment program for the major crops of the area. Tobacco, cotton, and peanut allotments have become increasingly important in determining market prices for many farms. More recently, the Soil Bank has

served to sustain, or to increase, market demand and prices for the poorer farms. Planting of trees under the conservation-reserve program accounts for most of the participation in South Carolina, Georgia, and Alabama. Two-thirds to three-fourths of the total acreage signed in these States under the conservation-reserve program in 1957 was for this purpose. The opportunity to receive an annual return while trees are growing, as well as reimbursement for the cost of planting, makes this feature of the program attractive in this area.

Demand for small farms and tracts of land for rural homesites continues as industrial development becomes more widely dispersed. Paper companies also continue to seek the larger tracts of land that can be developed for growing pulpwood. In Florida, sustained demand for land for residential purposes, particularly that with water frontage, for industrial sites, for planting to citrus, and for developing improved pasture has pushed market prices upward.

As a result of these demand factors, the 12-percent increase in market values for the Southeastern States in the year ended July 1, 1957, was the largest for any region of the country. The increase of 17 percent in Florida was the largest for any State. In the Appalachian States, the increase averaged 7 percent, with Kentucky and West Virginia up 10 and 9 percent respectively. The rate of voluntary transfers declined in all States of this region, except Tennessee. Conversely, the volume of sales in the Southeast was higher in 1956-57 than a year earlier in all States except South Carolina.

Crop Conditions Important in the Great Plains

The chief factor that affected the land market in the Plains States in mid-1957 was crop conditions. Except in parts of eastern Oklahoma and northeastern Texas, which had only fair to poor prospects, good to excellent conditions prevailed throughout the region. A year earlier, large areas of the region experienced extreme drought and crop prospects were judged to be "near failure." Farm enlargement has been of most importance in this area and has continued to sustain demand and limit supply. Pump irrigation continues to increase in Nebraska and northern Texas, thus raising the value of land with a favorable underground water supply. Such nonfarm influences as mineral development and industrial expansion have been a factor in Texas and Oklahoma, and to a lesser extent in Kansas. These factors have provided a source of supplemental income to many farmers and have increased the demand for part-time farms.

In the last year, land values advanced by 5 percent or more in all States of the region, except Nebraska. In that State, the increase was less because of drought during the summer and fall of 1956. Voluntary transfers of farm real estate declined in all States of the region, except North Dakota, where a 16-percent increase occurred. The Soil-Bank program has had a considerable effect in most States of the region. The program has stimulated demand for cropland of poor quality in the eastern areas of the region and for dry-farming land in the western parts. The market for land in North Dakota and South Dakota has been affected most, and the extent of participation has been highest

in these States. Annual payments under the program are more attractive in these 2 States than in the other 4 States of the region.

The West

Conditions in the farm real estate market were varied in the Western States, although they were more favorable than a year earlier. The wide variations in kind and quality of land make it difficult to measure changes in land values at mid-year when activity in the market is at a seasonal low. However, indications were that the average value of farmland had increased during the year in all States of the western region. The largest advance - 9 percent- was in California, where the constant encroachment of nonfarm uses limits the supply of agricultural land and raises market values for all land. Increases in excess of 5 percent were recorded for the 4 northern States of the region. Values increased 4 percent or less in the remaining 6 States, with little change reported in New Mexico. The rate of voluntary transfers was lower in all States of the region, except Idaho and Arizona.

During the summer of 1956, water for irrigation was in short supply in some areas. As a result, prices for irrigated land were reduced. Water supplies have generally been ample in 1957 and irrigated land prices were higher. The demand for dry-farming land was strengthened this spring and summer by the Soil-Bank program. In addition, demand for this type of land by farmers and those having income from oil and gas has remained strong. The Soil-Bank program has been of most importance in Colorado and New Mexico, mainly because of drought during 1956.

Table 3.- Farm title transfers: Estimated number by various methods, per 1,000 of all farms, by State and farm production regions, years ending March 15, 1956-57

State and region	Voluntary sales and trades 1/ 1956	Voluntary sales and trades 1/ 1957	Forced sales: Foreclosures 2/ 1956	Forced sales: Foreclosures 2/ 1957	Forced sales: Tax sales 1956	Forced sales: Tax sales 1957	All other sales 3/ 1956	All other sales 3/ 1957	Total all classes 1/ 1956	Total all classes 1/ 1957
Maine	23.5	26.8	2.8	3.4	2.2	1.4	13.3	13.1	41.8	44.7
New Hampshire	35.0	38.2	1.0	2.0	4/	4/	5.5	3.5	41.5	43.7
Vermont	43.0	47.0	1.8	2.5	4/	4/	7.5	9.3	52.3	58.8
Massachusetts	35.0	32.8	.5	4/	4/	.4	8.0	4.1	43.5	37.3
Rhode Island	40.0	43.3	4/	4/	4/	4/	3.5	1.5	43.5	44.8
Connecticut	41.5	45.6	4/	4/	4/	4/	6.5	7.1	48.0	52.7
New York	35.0	30.0	3.8	3.7	1.8	2.0	9.0	9.9	49.6	45.6
New Jersey	40.4	36.4	3.0	3.5	1.0	2.0	7.7	10.8	52.1	52.7
Pennsylvania	30.1	28.3	3.2	1.9	.4	.7	11.6	13.9	45.3	44.8
Delaware	39.0	40.0	4/	4/	4/	4/	5.0	6.0	44.0	46.0
Maryland	38.0	33.1	.4	.4	4/	.3	12.0	12.3	50.4	46.1
Northeast	33.8	31.8	2.7	2.3	.8	1.0	9.9	10.9	47.2	46.0
Ohio	37.4	32.8	1.0	.8	4/	.2	19.6	17.9	58.0	51.7
Indiana	33.4	34.0	1.6	.8	1.1	.8	22.2	14.9	58.3	50.5
Illinois	21.0	21.6	.7	.6	.3	.4	21.7	21.9	43.7	44.5
Iowa	23.0	23.7	1.2	.5	4/	.3	17.0	14.9	41.2	39.4
Missouri	37.1	35.3	2.8	1.8	.4	1.0	16.7	10.9	57.0	49.0
Corn Belt	30.5	29.5	1.5	.9	.3	.5	19.3	15.9	51.6	46.8
Michigan	34.5	32.1	1.3	.6	4/	4/	14.4	10.7	50.2	43.4
Wisconsin	34.4	35.3	4.4	1.6	.8	.8	9.1	11.3	48.7	49.0
Minnesota	31.1	34.0	5.0	1.7	1.4	1.1	12.9	15.6	50.4	52.4
Lake States	33.3	33.8	3.7	1.3	.8	.7	12.1	12.6	49.9	48.4
Virginia	26.9	24.5	1.5	1.0	4/	.4	12.4	10.8	40.8	36.7
West Virginia	26.0	22.1	1.5	1.9	.4	.3	14.7	14.5	42.6	38.8
North Carolina	19.6	18.0	4.1	4.8	.8	1.4	15.9	21.6	40.4	45.8
Kentucky	31.4	26.7	1.7	.9	.4	.5	17.9	14.0	51.4	42.1
Tennessee	26.8	29.0	.8	1.2	.4	.7	10.6	15.5	38.6	46.4
Appalachian	25.9	24.1	2.1	2.1	.4	.8	14.4	15.9	42.8	42.9
South Carolina	23.5	22.1	3.1	3.3	.5	.8	20.0	17.4	47.1	43.6
Georgia	32.6	34.4	2.8	4.0	4/	.5	16.4	17.2	51.8	56.1
Florida	53.0	60.0	3.9	1.9	4/	.6	7.1	8.9	64.0	71.4
Alabama	33.6	37.3	.4	1.3	.5	.3	16.8	14.1	51.3	53.0
Southeast	33.2	35.6	2.1	2.6	.3	.5	16.4	15.3	52.0	54.0

See footnotes at end of table. -Continued

Table 3.- Farm title transfers: Estimated number by various methods, per 1,000 of all farms, by State and farm production regions, years ending March 15, 1956-57 - Continued

State and region	Voluntary sales and trades 1/		Forced sales: Fore-closures 2/		Forced sales: Tax sales		All other sales 3/		Total all classes 1/	
	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957
Mississippi	30.0	31.7	.3	1.7	.8	.4	7.3	7.7	38.4	41.5
Arkansas	36.5	37.9	2.2	2.4	2.0	1.0	11.0	13.0	51.7	54.3
Louisiana	24.0	25.2	1.7	1.0	4/	4/	9.6	8.7	35.3	34.9
Delta States	30.8	32.3	1.3	1.8	1.0	.5	9.1	9.8	42.2	44.4
Oklahoma	40.5	35.0	2.2	1.6	.3	.8	12.2	12.0	55.2	49.4
Texas	31.5	27.1	1.8	2.9	1.0	1.0	14.8	14.3	49.1	45.3
Southern Plains	34.3	29.5	1.9	2.5	.8	.9	14.1	13.6	51.1	46.5
North Dakota	22.4	26.0	2.4	3.3	.4	.9	13.1	15.8	38.3	46.0
South Dakota	28.4	26.9	3.0	2.3	1.0	.5	15.1	13.0	47.5	42.7
Nebraska	22.6	21.9	2.3	2.9	1.0	.7	23.4	16.1	49.3	41.6
Kansas	27.7	25.1	2.5	1.7	.9	.3	23.3	15.6	54.4	42.7
Northern Plains	25.4	24.7	2.5	2.4	.9	.6	20.0	15.3	48.8	43.0
Montana	30.0	25.8	6.0	3.5	1.0	.8	11.4	12.1	48.4	42.2
Idaho	40.5	42.1	3.7	5.5	4/	.5	6.7	8.2	50.9	56.3
Wyoming	34.5	33.5	3.5	1.5	.5	.3	12.8	11.8	51.3	47.1
Colorado	38.1	33.2	5.5	4.2	4/	4/	7.7	9.6	51.3	47.0
New Mexico	50.0	45.6	3.0	3.5	4/	4/	7.0	6.7	60.0	55.8
Arizona	56.0	60.1	1.6	1.0	.5	4/	6.7	6.6	64.8	67.7
Utah	42.0	39.5	5.7	6.3	.5	.5	15.2	16.5	63.4	62.8
Nevada	41.0	38.5	2.0	4.1	4/	4/	5.0	2.5	48.0	45.1
Mountain	39.8	37.5	4.6	4.2	.3	.3	9.3	10.2	54.0	52.2
Washington	47.0	45.5	3.4	2.6	4/	4/	7.6	6.1	58.0	54.2
Oregon	52.8	47.5	5.2	4.4	.6	.4	10.9	7.8	69.5	60.1
California	68.5	64.4	3.7	2.4	.5	.7	7.9	10.4	80.6	77.9
Pacific	59.3	55.6	4.0	2.9	.4	.4	8.5	8.7	72.2	67.6
United States	32.4	31.4	2.3	2.0	.6	.7	14.4	13.7	49.7	47.8

1/ Revisions in the rate of voluntary transfers and the rate for all classes of transfers for the year ending March 15, 1956 were made in the following States and regions: Pennsylvania, Maryland, Northeast, Ohio, Illinois, Missouri, Corn Belt, Michigan, Lake States, Tennessee, Appalachian, South Carolina, Southeast, Oklahoma, Texas, Southern Plains, North Dakota, South Dakota, Nebraska, Kansas, Northern Plains, Colorado, Mountain, Oregon, Pacific.

2/ Includes loss of title by default of contract, sales to avoid foreclosure, surrender of title, and other transfers to avoid foreclosure.

3/ Includes sales resulting from inheritances and gifts, administrator's and executor's sales, and other miscellaneous and unclassified sales.

4/ None reported.

Table 4.- Farm real estate: Index numbers of average value per acre, by States and farm production regions, July 1957, and selected dates 1/

(1947-49=100)

State and region	1940	1950	1955	1956 March	1956 July	1956 Nov.	1957 March	1957 July
Maine	69	95	104	107	110	114	114	115
New Hampshire	67	97	105	108	109	111	113	115
Vermont	58	101	104	107	107	111	112	116
Massachusetts	74	99	106	108	111	113	117	120
Rhode Island	66	101	108	112	116	120	122	127
Connecticut	65	100	111	115	118	122	126	131
New York	59	105	119	124	2/ 126	127	133	135
New Jersey	62	103	132	143	145	146	156	162
Pennsylvania	58	102	134	143	146	147	154	159
Delaware	55	98	130	135	138	144	148	153
Maryland	50	99	136	140	144	150	153	156
Northeast	60	102	123	130	2/ 132	134	139	143
Ohio	46	101	141	151	155	158	161	168
Indiana	44	103	147	154	157	162	166	169
Illinois	50	108	142	149	153	157	161	167
Iowa	51	108	133	136	137	141	142	145
Missouri	50	106	130	134	2/ 138	143	146	149
Corn Belt	49	106	139	144	147	151	154	159
Michigan	46	100	133	141	144	146	152	155
Wisconsin	58	101	113	117	120	123	127	132
Minnesota	55	109	135	145	149	154	160	163
Lakes States	54	104	127	135	138	141	147	150
Virginia	48	101	135	143	146	148	152	155
West Virginia	58	95	110	117	119	123	125	130
North Carolina	43	106	140	146	149	151	154	158
Kentucky	42	102	115	115	2/ 119	122	127	131
Tennessee	42	103	118	121	124	127	129	131
Appalachian	44	103	126	130	133	136	139	142
South Carolina	43	97	121	126	129	133	136	139
Georgia	45	99	138	145	149	152	157	164
Florida	57	97	141	157	162	173	183	190
Alabama	47	101	125	134	137	138	142	149
Southeast	48	99	132	141	145	150	156	162

See footnotes at end of table. -Continued

Table 4 .- Farm real estate: Index numbers of average value per acre, by States and farm production regions, July 1957, and selected dates 1/ - Continued

(1947-49=100)

State and region	1940	1950	1955	1956 March	1956 July	1956 Nov.	1957 March	1957 July
Mississippi	46	106	137	147	150	154	159	164
Arkansas	40	105	126	132	137	141	144	147
Louisiana	57	105	138	146	151	155	161	165
Delta States	46	104	132	140	144	148	152	156
Oklahoma	50	108	136	138	142	145	148	149
Texas	55	102	137	139	142	146	151	152
Southern Plains	54	103	137	139	142	145	150	151
North Dakota	48	107	132	136	2/ 140	145	150	153
South Dakota	47	111	139	140	140	143	146	149
Nebraska	47	104	134	133	133	132	131	136
Kansas	45	106	129	133	132	133	136	140
Northern Plains	46	107	133	135	135	136	138	142
Montana	43	104	146	152	155	158	162	166
Idaho	43	107	142	146	146	148	152	153
Wyoming	40	100	123	123	122	122	121	126
Colorado	37	104	128	124	123	122	121	125
New Mexico	36	107	136	137	2/ 137	135	133	138
Arizona	40	99	137	144	144	144	145	148
Utah	49	107	137	134	134	135	136	140
Nevada	49	99	139	142	143	144	145	148
Mountain	41	104	136	138	138	138	139	143
Washington	45	101	137	140	143	144	147	152
Oregon	41	99	128	130	132	134	137	141
California	42	94	128	137	140	144	147	152
Pacific	42	96	130	137	139	143	146	151
United States	49	103	133	138	140	143	147	151

1/ All farmlands with improvements as of March 1, except as indicated.
2/ Revised.

Table 5.- Farm real estate: Index numbers of average value per acre, by States and geographic divisions, July 1957, and selected dates 1/

(1912-14=100)

State and division	1920	1940	1955	1956 March	1956 July	1956 Nov.	1957 March	1957 July
Maine	142	95	145	148	153	158	158	160
New Hampshire	129	94	147	152	154	157	159	162
Vermont	150	101	181	186	187	194	195	202
Massachusetts	140	113	161	164	170	172	179	183
Rhode Island	130	120	197	204	212	218	223	232
Connecticut	137	124	213	220	225	233	241	251
New England	140	106	169	173	178	182	186	191
New York	133	86	172	179	2/ 182	184	193	196
New Jersey	130	116	249	270	275	276	294	305
Pennsylvania	140	90	206	222	225	227	237	246
Middle Atlantic	136	90	194	205	2/ 209	208	221	227
Ohio	159	77	234	252	258	262	267	279
Indiana	161	74	249	260	264	273	281	285
Illinois	160	75	213	224	229	235	242	250
Michigan	154	91	263	279	284	289	300	306
Wisconsin	171	84	162	169	173	178	183	190
East North Central	161	78	219	231	236	241	249	257
Minnesota	213	86	210	225	231	238	248	252
Iowa	213	74	195	198	200	206	208	212
Missouri	167	59	153	158	162	168	172	175
North Dakota	145	52	142	147	150	155	161	164
South Dakota	181	41	121	122	122	125	127	130
Nebraska	179	58	167	165	165	165	164	170
Kansas	151	71	205	212	210	211	215	222
West North Central	184	65	177	181	183	187	190	194
Delaware	139	89	210	217	223	232	238	247
Maryland	166	100	273	282	290	301	307	312
Virginia	189	112	313	332	339	343	353	359
West Virginia	154	85	161	172	175	181	183	192
North Carolina	223	138	451	471	479	485	494	508
South Carolina	230	89	253	263	270	278	284	289
Georgia	217	82	252	265	272	278	288	300
Florida	178	133	328	366	379	404	428	443
South Atlantic	199	106	300	317	325	334	344	353

See footnotes at end of table.

-Continued

Table 5.- Farm real estate: Index numbers of average value per acre, by States and geographic divisions, July 1957, and selected dates 1/ - Continued

(1912-14=100)

State and division	1920	1940	1955	1956 March	1956 July	1956 Nov.	1957 March	1957 July
Kentucky	200	113	308	309	2/ 318	327	340	352
Tennessee	200	108	303	312	318	328	332	336
Alabama	177	122	321	345	351	355	365	384
Mississippi	218	106	317	340	347	355	368	379
East South Central	199	112	311	323	2/ 330	338	348	359
Arkansas	222	95	297	312	322	333	340	347
Louisiana	198	121	291	308	319	326	340	347
Oklahoma	166	93	254	259	265	271	277	279
Texas	174	99	248	250	257	263	273	274
West South Central	177	99	254	258	265	271	280	282
Montana	126	55	186	193	197	201	206	211
Idaho	172	92	307	314	2/ 316	318	327	330
Wyoming	177	73	225	224	223	222	221	231
Colorado	141	57	198	193	190	189	187	193
New Mexico	144	79	295	297	2/ 297	293	290	300
Arizona	165	89	304	318	318	319	320	328
Utah	167	81	229	224	2/ 224	225	228	235
Nevada	135	66	186	190	192	193	194	198
Mountain	148	69	229	232	232	233	234	241
Washington	139	94	285	291	298	300	306	317
Oregon	129	73	226	230	233	238	242	249
California	167	98	301	322	328	338	345	356
Pacific	157	94	287	303	308	316	323	333
United States	173	82	224	232	236	241	247	253

1/ All farmlands with improvements as of March 1, except as indicated.
2/ Revised

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON 25, D. C.

PENALTY FOR PRIVATE USE TO
AVOID PAYMENT OF POSTAGE $300

OFFICIAL BUSINESS

ARS 43-61----------10/57---------3,700